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SUBJECT: BRAZIL ESTH UPDATE, JULY/AUGUST 2006

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NEW BIODIESEL FACTORY

1. American Company Archer Daniels Midland (ADM) has announced construction of a biodiesel plant in the state of Mato Grosso. ADM will invest a total of USD 30 million in the refinery, which will be the biggest biodiesel-producing plant in the world with a yearly production capacity of 180 thousand tons of the fuel. The company is already the leading biodiesel producer in Europe and will use soybean oil as its main input in Brazil. The new refinery will be totally integrated with the company's soybean compressing company in Mato Grosso by the first semester of 2007, and will be ADM's first biodiesel investment in Brazil. Their soybean compressing operation currently produces 2 million tons of soy oil a year.

BRAZIL LIKELY TO MEET BIODIESEL TARGET EARLY

2. President Lula recently announced the possibility of attaining the 2% biodiesel mix obligation target early, following an announcement the Brazilian Association of Biodiesel Industries (ABIODiesel) was made. According to Brazilian law, by 2008 all conventional diesel sold in the country must incorporate a 2% mixture of biodiesel and a 5% mix by 2013. At present, this addition is optional, although approximately 2000 gas stations are already selling the product. According to Energy and Mines Minister, Silas Rondeau, seven biodiesel companies are operating in Brazil, while another 14 await GoB approval and 16 others are under construction. Each company has an approximate 123 million liter-per-year production capacity and over 205 thousand small farmers are part of the country's national biodiesel program. Since the 2008 production goal of 840 million liters has already been reached, the program's targets are likely to be reviewed.

NATURAL GAS INVESTMENT BOOST

3. Petrobras' Energy and Gas Director, Ildo Sauer, announced a USD 22.1 billion investment for the company's gas sector through 2011. The company itself will invest USD 17.6 billion, while its partners will invest another USD 4.5 billion. The state company expects to raise its gas production by 17% a year, expanding from 41 million cubic meters a day to an estimated 70 million. Sauer said that this increased investment was the solution found to satisfy growing national demand, especially after Bolivia's recent gas nationalization.

ETHANOL EXPORT RISE

4. Brazil registered a record 568 million liters ethanol exports in July, more than double the 268.2 million liters shipped abroad during the same month last year. Despite the 54 cents-per-gallon import tariff, U.S demand accounted for 84% of the total volume, according to data from the Ministry of Agriculture. Ethanol revenues for the month were USD 289 million, nearly four times as

much as the USD 75.5 million registered in the same period a year ago. Apart from the U.S, the European Union and Venezuela were also key buyers of Brazilian ethanol.

NEW DIABETES TECHNIQUE TESTING

15. Two medical centers in Sao Paulo are testing a new treatment for Type 2, Diabetes. The new technique is being tested in patients with a Body Mass Index (BMI) lower than 35, who undergo an intestinal surgery that stimulates the hormone responsible for insulin production. Even though testing is still in its initial phases, the results for the first four patients have been promising.

One of them no longer needs to take insulin shots, while the other three have reduced their dosage by approximately 33%. Approval for additional testing is expected in the coming months.

MANAGED LOGGING SPARES BIODIVERSITY

16. Low impact, managed logging has little effect on biodiversity according to a recent study from the Environmental Research Institute of the Amazon (IPAM). At an average extraction rate of 19 cubic meters per hectare, a small number (3-15%) of original species are not present in the area anymore. However, data show that, on average, the number of birds and invertebrates rose slightly and mammal species remained the same. IPAM's research coordinator, Claudia Azevedo-Ramos, said that the long-term results still need more detailed analysis but the economic viability of this action exists. Ramos was quoted as saying, "the initial cost of cutting wood is higher, but after that its exploitation is more precise".

WORMS DETECTING CONTAMINATED SOIL

17. Worms are being used to test the contamination level of soils in areas where mining activities and petroleum exploitation have taken place. Researchers from the Center for Mining Technology Laboratory (Cetem), part of the Ministry of Science and Technology (MCT), studied three soil samples and compared worm mortality in them to

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samples of uncontaminated soil. The number of deaths compared among the samples determines the level of contamination from the different activities. Cetem is also testing other insects to be used in river contamination analysis.

AVIAN INFLUENZA EDUCATIONAL CAMPAIGN

18. For the first time in ten years, the GoB will publicly address the issue of avian influenza. The ad campaign targets the one million inhabitants that live in nearby regions of national parks and other wild bird habitat locations. The GoB's concern is due to the beginning of the migratory season. Even though most birds migrate to Brazil from North America, where no avian influenza cases have been recorded, studies show the possibility of a rare direct migration from Asia, Africa and Europe. Due to these possibilities, the Ministry of Health has decided to start an informational campaign explaining what to do in case of an AI outbreak in the country. The campaign will use folders, pamphlets and radio to disseminate educational information.

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